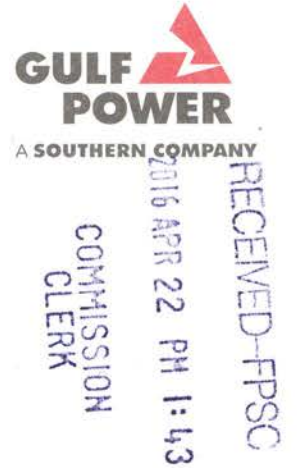


Robert L. McGee, Jr.
Regulatory & Pricing Manager
One Energy Place
Pensacola, Florida 32520-0780
Tel 850.444.6530
Fax 850.444.6026
RLMCGEE@southernco.com



April 22, 2016

Ms. Carlotta Stauffer
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0868

REDACTED

160096-EI

RE: Joint Petition by Investor-Owned Utilities for Approval of Modifications to Risk Management Plans

Dear Ms. Stauffer:

Enclosed is Gulf Power Company's Request for Confidential Classification regarding Gulf Power's Exhibit 4 to the above-referenced petition.

Sincerely,

Robert L. McGee, Jr.
Regulatory and Pricing Manager

md

Enclosures

cc w/encl.: Beggs and Lane
Jeffrey A. Stone, Esquire

- COM
- AFD Redacted + CD
- APA _____
- ECO _____
- ENG _____
- GCL _____
- IDM _____
- TEL _____
- CLK _____

BEFORE THE PUBLIC SERVICE COMMISSION

IN RE: Joint Petition by Investor-Owned
Utilities for Approval of Modifications
to Risk Management Plans

Docket No.: 160096-EI
Date filed: April 22, 2016

REQUEST FOR CONFIDENTIAL CLASSIFICATION

GULF POWER COMPANY ["Gulf Power", "Gulf", or the "Company"], by and through its undersigned attorneys and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files its request that the Florida Public Service Commission enter an order protecting from public disclosure certain information contained in Exhibit 4 to the Joint Petition by Investor-Owned Utilities for Approval of Modifications to Risk Management Plans (the "Joint Petition") which has been filed contemporaneously with this request. As grounds for this request, the Company states:

1. As explained in the Joint Petition, Gulf Power is proposing commitments to: (1) reduce its annual maximum percentage of fuel purchases targeted for hedges; and (2) address the period of time over which hedges may be placed pursuant to an approved risk management plan. In furtherance of these commitments, Gulf is requesting authority to amend portions of its existing 2016 Risk Management Plan for Fuel Procurement as set forth in Exhibit 4 to the Joint Petition. Portions of the information contained in Exhibit 4 constitute proprietary confidential business information as defined in section 366.093(3), Florida Statutes. The Risk Management Plan for Fuel Procurement contains, in a single resource, detailed information about Gulf's fuel procurement strategy, including technology selection criteria, for the near term and into the future. The Commission has granted confidential classification for previous versions of Gulf Power Company's Risk Management Plan for Fuel Procurement. *See, e.g.*, Order Nos. PSC-03-

0032-CFO-EI, PSC-04-1056-CFO-EI, PSC 05-0700-CFO-EI, PSC-06-0636-CFO-EI, PSC-09-0284-CFO-EI, PSC-10-0189-CFO-EI, PSC-12-0452-CFO-EI, PSC-13-0541-CFO-EI and PSC-14-0507-CFO-EI.

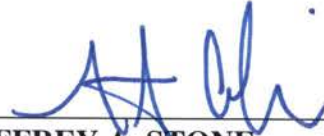
2. Exhibit 4 to the Joint Petition contains discussion of Gulf's fuel procurement strategy including targeted hedging ranges and hedging contract durations. As the Commission has recognized in previous orders granting confidential classification, the disclosure of this information could impair the competitive business of Gulf Power. Public disclosure of this strategic information would provide hedging counterparties and other market participants with insight into Gulf's hedging strategy which could, in turn, prevent Gulf from procuring its fuel needs in a manner that secures the best price and terms for its customers.

3. The information filed pursuant to this Request is intended to be, and is treated as, confidential by Gulf Power and, to this attorney's knowledge, has not been otherwise publicly disclosed.

4. Submitted as Exhibit "A" is a highlighted copy of Exhibit 4 to the Joint Petition. Exhibit "A" should be treated as confidential pending a ruling on this request. Attached as Exhibit "B" are two (2) edited copies of the documents, which may be made available for public review and inspection. Attached as Exhibit "C" to this request is a line-by-line/field-by-field justification for the request for confidential classification.

WHEREFORE, Gulf Power Company respectfully requests that the Commission enter an order protecting the information highlighted on Exhibit "A" from public disclosure as proprietary confidential business information.

Respectfully submitted this 22nd day of April, 2016.



JEFFREY A. STONE

Florida Bar No. 325953

RUSSELL A. BADDERS

Florida Bar No. 007455

STEVEN R. GRIFFIN

Florida Bar No. 627569

Beggs & Lane

P.O. Box 12950

Pensacola, FL 32591

(850) 432-2451

Attorneys for Gulf Power

BEFORE THE PUBLIC SERVICE COMMISSION

IN RE: Joint Petition by Investor-Owned
Utilities for Approval of Modifications
to Risk Management Plans

Docket No.:
Date filed: April 22, 2016

REQUEST FOR CONFIDENTIAL CLASSIFICATION

Exhibit "A"

Provided to the Commission Clerk
under separate cover as confidential information.

Exhibit "B"

Gulf Power 2016 Natural Gas Procurement Strategy

Gas Program Overview

Natural Gas is used for primary fuel at the Smith 3 combined cycle unit, boiler lighter fuel at Crist Units 4-7, and for generation secured under purchased power agreements beginning in 2009. Prior to 2002, natural gas represented a relatively small portion of Gulf's overall fuel budget. With the addition of the Smith 3 combined-cycle unit in 2002, natural gas became a more significant portion of Gulf's overall fuel budget.

Gulf Power's natural gas procurement strategy is to purchase a cost effective yet highly reliable fuel supply to support the operation of its generating facilities. Securing competitive fuel prices for its customers and minimizing both price and supply risk are the governing considerations in developing Gulf's fuel procurement strategy.

Projected Natural Gas Purchases

Southern Company Services (SCS) as agent for Gulf purchases natural gas to be delivered to Plant Crist for lighter purposes on the coal fired units and to Plant Smith as primary fuel for Unit 3 which is a combined cycle generating unit. SCS will also purchase natural gas to serve as primary fuel for the Shell (Central Alabama) purchased power agreement. Gulf has contracted for storage capacity at Bay Gas Storage near Mobile, AL, Leaf River Energy Center near Richton, MS, and at Southern Pines Energy Center near Hattiesburg, MS and will purchase natural gas to maintain targeted quantities of gas in storage during the year.

1 **Procurement Strategy**

2 Gulf's strategy for gas procurement is to purchase the commodity using long term
3 and spot agreements at market prices. Fuel purchased at market over a long period
4 is a low cost option for customers.

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13 For Gulf, spot-market contracts have a term of less than one year and long-term
14 contracts have a term of 1 year or longer. All natural gas, regardless of whether it is
15 bought under long-term contracts or spot-market contracts, is purchased at market
16 based prices. While fuel purchased at market over long periods is a low cost option
17 for customers, it does expose the customers to short-term price volatility. Since
18 these price fluctuations can be severe, Gulf Power, at the direction of the Florida
19 Public Service Commission, will attempt to protect its customers against short-term
20 price volatility by utilizing hedging tools. It is understood that the cost of hedging will
21 sometimes lead to fuel costs that are higher than market prices but that this is a
22 reasonable trade-off for reducing the customers' exposure to fuel cost increases that
23 would result if fuel prices actually settle at higher prices than when the hedges were
24 placed.

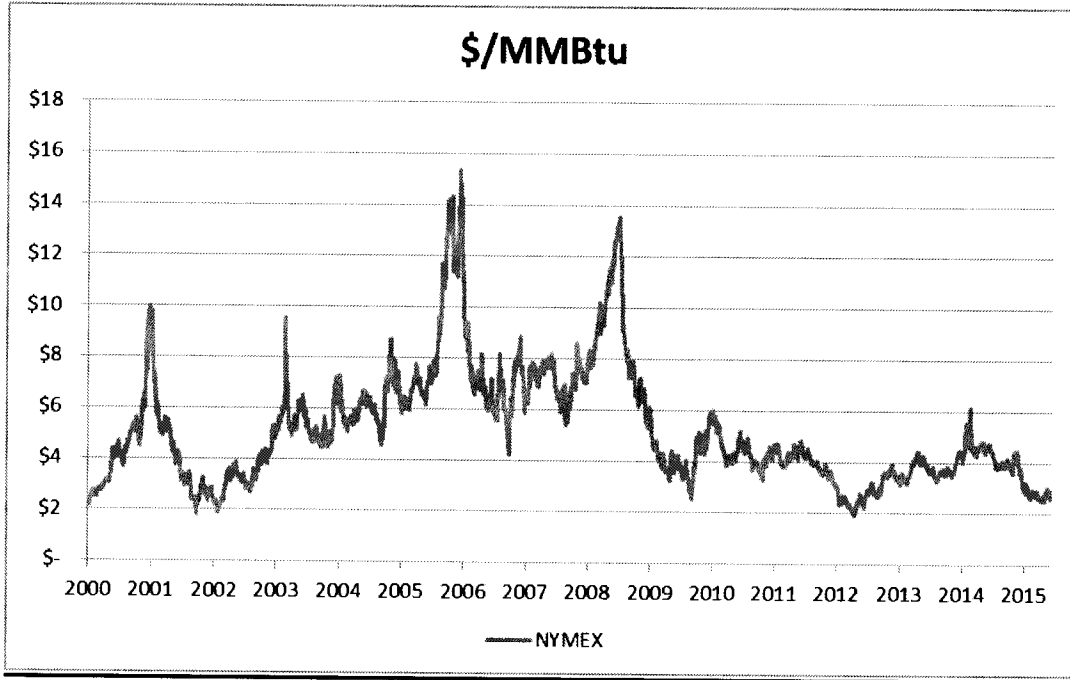
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1 The following graph of actual natural gas prices is an indication of price volatility in
2 the gas commodity market:

3

4 **Historical Natural Gas Prices - NYMEX**

5



6

7

8 **Pricing Strategy**

9 Gulf Power will continue to purchase gas, both under long-term and spot contracts at
10 market based prices. However, pursuant to Commission order, Gulf Power will
11 financially hedge gas prices for some portion, generally between [REDACTED]
12 percent of Gulf Power's projected annual gas burn for the current year, in order to
13 protect against short-term price swings and to provide some level of price certainty.
14 This [REDACTED] percent hedge range allows Gulf Power to provide a degree
15 of price certainty and protection against short-term price swings while still allowing
16 the customers to participate in markets where natural gas prices are low. Gulf

1 Power will secure natural gas hedges over a time period not to exceed [REDACTED] months,
2 per the following schedule:

3

Period	Lower Target Hedge %	Upper Target Hedge %
[REDACTED]	[REDACTED]	[REDACTED]

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9 **Note: The annual hedge percentage is based on the budgeted annual gas burn**

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11 Although SCS will target the levels shown in the table above, SCS may accelerate or
12 decelerate the plan accordingly based on market conditions. Gulf's hedging targets
13 are expressed on an annual basis due to the potential for large variances in month
14 to month gas consumption. The monthly variance in gas burn is due to Gulf's units
15 being dispatched on an economic basis with the other generating units in the
16 Southern electric system and the impact of unit outages on Gulf's total gas burn.

17

18 SCS, working in partnership with Gulf Power, develops short-term hedge strategies
19 based on current and projected market conditions. [REDACTED]

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[REDACTED] SCS will employ both technical and
23 fundamental analysis to determine appropriate times to hedge. However, the
24 objective is not to speculate on market price or attempt to outguess or "beat the
25 market". Gulf will utilize fixed priced swaps as its primary financial gas price hedging
26 instrument but may also utilize options when appropriate.

1 While the hedging program will protect the customer from short-term price spikes,
2 hedges can also lead to higher costs when natural gas prices fall subsequent to
3 entering hedges. Gulf Power will limit the amount of fixed-price hedges to a
4 maximum of [REDACTED] percent of the projected fuel burn for the upcoming year. In
5 addition, Gulf Power will limit option priced hedges to [REDACTED] percent of its projected
6 burn. Finally, in order to protect its customers from market exposure in subsequent
7 years, Gulf Power will take forward hedge positions for up to [REDACTED] months into the
8 future.

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Exhibit "C": Line-by-Line/Field-by-Field Justification

<u>Line(s)/Field(s)¹</u>	<u>Justification</u>
Page 11 Lines 4 through 12	The information delineated in Exhibit "C" is entitled to confidential classification pursuant to §366.093(3)(e), Florida Statutes. The basis for this information being designated as confidential is more fully set forth in paragraphs 1-2.
Page 12 Lines 11 and 14	
Page 13 Line 1 (Table) Lines 4 through 8 Lines 19-22	
Page 14 Lines 4, 5 and 7	

¹ Page number references correspond with the page numbers printed in the bottom center of each page.